

**Meeting:** IAASB

**Meeting Location:** Virtual Meeting

**Meeting Date:** September 14–23, 2020

## Agenda Item 8

### Due Process – Quality Management Standards

#### Objective of Agenda Item

1. To advise the IAASB of the status of due process for the Quality Management Standards, proposed ISQM 1,<sup>1</sup> ISQM 2,<sup>2</sup> and ISA 220 (Revised).<sup>3</sup>

#### Background

2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to a Standard, are approved for issue.
3. The following outlines the Technical Director's conclusion and basis thereof with respect to actions up to the September 2020 IAASB meeting for the Quality Management Standards. Before approval of the Quality Management Standards, the Technical Director will advise on whether due process has been followed during the course of the September 2020 meeting.

#### Due Process Up to the Date of the September 2020 IAASB Meeting

4. The Technical Director confirms to the IAASB that, up to the September 2020 IAASB meeting, the Quality Management Standards have been developed in accordance with the IAASB's due process.
5. In summary, for the Quality Management Standards, the IAASB:

#### *Project Commencement and Development*

- Issued an Invitation to Comment<sup>4</sup> to highlight the IAASB's discussions on professional skepticism, quality control and group audits and to flag potential standard-setting activities the IAASB could take to enhance audit quality.
- Considered analyses of the significant comments and issues raised by respondents on the ITC.

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<sup>1</sup> Proposed International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control (ISQC) 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>2</sup> Proposed ISQM 2, *Engagement Quality Reviews*

<sup>3</sup> Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>4</sup> [Invitation to Comment, \*Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits\* \(the ITC\)](#)

- Approved the project proposal<sup>5</sup> for commencement of work to revise the Quality Management Standards and consulted with the IAASB Consultative Advisory Group (CAG) on the proposal.
- Consulted with the IAASB CAG on significant issues during the development of the Quality Management Standards.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Quality Management Task Forces (the Task Forces) have reported back to the IAASB CAG the results of the IAASB's deliberations.

- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration.

As noted above, the IAASB issued an ITC prior to the development of the project proposal. During the exposure period, the Task Forces also conducted three webinars to provide a detailed overview of the proposals. No additional public forum or similar consultation, or further field testing were deemed necessary for the proposed Quality Management Standards.

#### *Exposure Draft*

- Approved and issued three exposure drafts<sup>6</sup> for the three Quality Management Standards for public comment, together with an explanatory memorandum highlighting, among other matters, the significant proposals of the IAASB.
- Considered analyses of the significant comments and issues raised by respondents on the exposure drafts, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
- Having familiarized themselves with the issues raised in comment letters, the IAASB members:
  - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Task Forces, that they considered should be discussed; and
  - Amended the Quality Management Standards accordingly.
- Consulted with the IAASB CAG on significant issues raised in the comment letters on the Quality Management Standards and the IAASB's related responses. Significant comments received to date through the consultation with the IAASB CAG have been brought to the IAASB's attention. The Task Forces have reported back to the IAASB CAG the results of the IAASB's deliberations since the March 2020 CAG meeting at the CAG's September 2020 meeting. The Task Forces have also reported back to the IAASB CAG the results of the IAASB's earlier deliberations.

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<sup>5</sup> [Enhancing Audit Quality: Project Proposal for the Revision of the IAASB's International Standards Relating to Quality Control and Group Audits](#)

<sup>6</sup> The Exposure Drafts are available here for proposed [ISQM 1](#), [ISQM 2](#), and [ISA 220 \(Revised\)](#). The IAASB also issued an [Overall Explanatory Memorandum](#) to address significant issues common to the QM standards, the proposed effective dates and the planned implementation support activities.